



# The work of the Structural Funds in 1997

By the end of 1997, work on virtually all the programmes part-financed by the Structural Funds had begun. In all, 1,026 programmes have been started since 1994, 580 under the various development Objectives and 446 under the Community Initiatives.

During the year, most of the new programmes for the economic conversion of declining industrial areas (Objective 2) for 1997-99 were adopted, apart from a few in Spain. The programmes under the other development Objectives were the subject of interim evaluations to check the effectiveness of assistance and the quality of management systems.

Overall, financial implementation was satisfactory, particularly for the national initiative programmes, where it improved to the extent that by 31 December, 62% of the Community contributions for the whole period 1994-99 had been committed and 46% paid. Taking 1997 alone, almost 99% of available appropriations were committed and, for the first time in this programming period, 100% were paid.

This information paper contains:

- some details of the new programmes adopted
- an assessment of implementation of the budget of the Structural Funds
- the latest data on the Community Initiatives and innovative measures
- the major features of the work of the Structural Funds in each Member State
- examples of measures to support SMEs.

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## The Structural Funds

The four Structural Funds of the European Union are:

- the European Regional Development Fund (ERDF): assistance to disadvantaged regions (infrastructure, productive investment, SMEs, local development, etc).
- the European Social Fund (ESF): promotion of employment (vocational training, recruitment aid, etc).
- the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF): adjustment of agricultural structures and rural development.
- the Financial Instrument for Fisheries Guidance (FIFG): structural adjustment in this sector.

The Structural Funds have six priority Objectives for 1994-99:

- Objective 1: structural adjustment of regions whose development is lagging behind.
- Objective 2: economic conversion of declining industrial areas.
- Objective 3: combating long-term unemployment, integration into working life of young people and those threatened with exclusion from the labour market.
- Objective 4: adaptation of workers to industrial change and changes in production systems.
- Objective 5(a): adjustment of agricultural and fisheries structures.
- Objective 5(b): economic diversification of fragile rural areas.
- Objective 6 (Finland and Sweden): structural adjustment of very thinly populated regions.

Objectives 1, 2, 5(b) and 6 are geographically limited; Objectives 3, 4 et 5(a) may extend throughout the Union.

On the ground, these Objectives are implemented through programmes proposed by the appropriate authorities of the Member States and so are called national initiative programmes. They are either adopted by the Commission following approval of a Community Support Framework (CSF) or form part of a Single Programming Document (SPDs) on which the Commission takes a single decision.

The Community also part-finances other programmes on subjects proposed by the European Commission. These are called Community Initiative programmes.

## New programmes

In 1997 the Commission adopted a total of 88 new programmes under the various Objectives, most of which were under Objective 2, for the second part of the current programming period (1997-99). The total contribution of the European Union to new Objective 2 programmes was ECU 8,515 million. The absolute priority for these programmes is the preservation and promotion of employment.

In addition, 33 new Community Initiative programmes were adopted. These include the last Community Initiative programmes under the initial 1994 allocation plus five technical assistance programmes, and the first programmes to be financed under the reserve allocated by the Commission in 1996, which include 14 Urban programmes targeting crisis-hit urban areas, and 6 Interreg II C programmes designed to encourage transnational cooperation in regional and spatial planning.

## Financial implementation

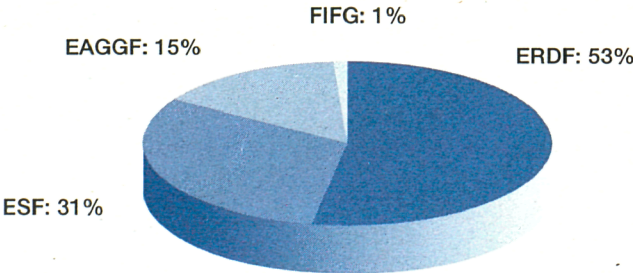
Implementation of the budget in 1997 was more fully in line with the guidelines laid down at the Edinburgh European Council in 1992.

For the first time in the 1994-99 period, all available appropriations for national programmes were committed across all the Objectives, apart from Objective 5(a) (where only 36% of commitments for fisheries were used). Commitments for the Community Initiatives were much lower at 61%, which reduced the overall average for the year to 95%. In all, the appropriations committed since 1994 represent 62% of the original Community contributions envisaged for the period.

Payments in 1997 were considerably better than in 1996, which means that measures on the ground are being implemented more quickly. Payment appropriations for programmes in all Objectives were fully used (as compared with only two Objectives in the previous year) and 90% of Community Initiative payments were made (as compared with 80% in 1996). By the end of 1997, 46% of total payments for the period had been distributed.

5% of payments made during the year (over ECU 1 billion), related to commitments from before 1994, 40% of which concerned Italian projects.

### Breakdown by Fund of the amounts committed in 1997

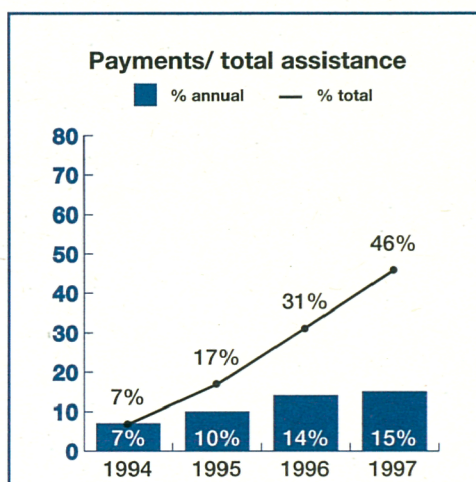
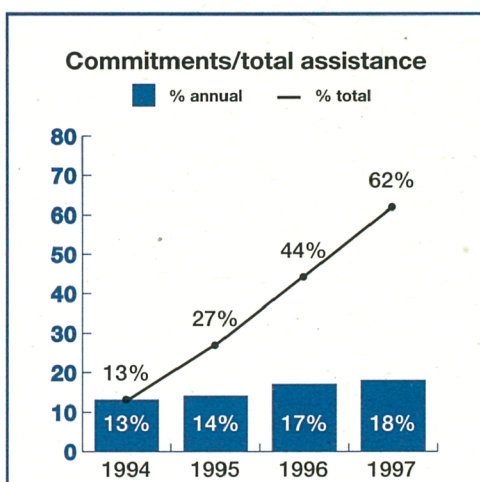




## Commitments and payments in 1997 (ECU million)

Budget headings	Utilisation of appropriations			
	Commitments	%	Payments	%
Objective 1	17 015.65	100.00	14 102.62	100.00
Objective 2	2 901.88	100.00	3 177.19	100.00
Objective 3	2 202.91	100.00	1 784.01	100.00
Objective 4	476.92	100.00	375.23	100.00
Objective 5a	1 033.74	91.00	1 153.25	100.00
Objective 5b	1 248.40	100.00	1 029.77	100.00
Objective 6	137.82	100.00	109.65	100.00
TOTAL	25 017.31	99.00	21 731.73	100.00
Community Initiatives	1 949.12	61.00	1 677.32	90.00
Transitional measures and innovative measures	257.40	87.00	172.10	65.00
New German Länder	-	-	30.36	52

## CSF/SPD: Implementation 1994-97 (ECU million) all Objectives together



## Evaluation

Normally, all evaluations endeavour to provide a reliable and comparable assessment of the impact of assistance on employment.

Interim evaluations were carried out for the programmes under Objectives 1, 3, 4, 5(a), 5(b) and 6 to assess the effectiveness of assistance and the quality of management systems and propose, where necessary, corrections or adjustments to programmes. They also constitute a first step in the preparation of future development plans and the introduction of more appropriate management methods.

The Objective 2 programmes for 1994-96 were the subject of an ex-post evaluation, a summary of which is in preparation.

Thematic evaluations also took place in 1997 to define key criteria for assessing three areas: SMEs, Research and Development and innovation and the environment. A specific evaluation of the partnership principle, a horizontal measure underlying the Structural Funds, was also conducted.

## Funding

For the programming period 1994-99, the total funding of the Structural Funds (ECU 154.5 billion at 1994 prices) was divided among the various Objectives, Member States, regions and programmes.

## Commitments

Budgetary commitments from the Structural Funds are made as programmes are adopted and implemented. Each programme includes a financing plan setting out the financial commitments in instalments: the first instalment on adoption and annual instalments thereafter. Where programmes run for less than two years or cost less than ECU 40 million, the whole Community contribution may be committed when the programme is adopted.

## Payments

Payments are made in accordance with budgetary commitments as the programme is implemented. This makes them a useful means of assessing its actual progress.

## Other financial instruments

Alongside the Structural Funds, the Cohesion Fund (ECU 16 billion for 1993-99) helps Greece, Portugal, Spain and Ireland to prepare for economic and monetary union by supporting projects concerning the environment and trans-European transport networks. In addition, loans for all development measures may be granted by the European Investment Bank (EIB) to finance infrastructure projects or interest-rate subsidies for new or existing loans. In 1996, ECU 12,239 billion, or over two thirds of the loans made by the EIB, went to projects in areas eligible under Objectives 1, 2, 5(b) and 6 of the Structural Funds.



## Territorial Pacts for employment

At the end of 1997, 84 of the 89 draft pacts from rural and urban areas in the 15 Member States of the Union had received initial Community technical assistance worth ECU 200,000 to draw up an action plan for employment: 22 under Article 6 of the ESF Regulation, 8 under Article 8 of the EAGGF Guidance Section Regulation and 54 under Article 7 of the ERDF Regulation. The first action plans were drawn up in the first half of 1998. The pacts will receive assistance from the Structural Funds under existing programmes until the end of 1999.

## Community Initiatives

In all, 446 operational programmes were underway by the end of 1997. This was the first year that all the Community Initiatives originally planned for 1994-99 were actually in operation, to varying degrees.

The delay in implementing certain Initiatives led the Commission to consider, in conjunction with the Member States, ways of reprogramming financial resources, either between measures within the same programme or between programmes within an Initiative.

## Breakdown of assistance adopted under the Community Initiatives for 1994-99 (ECU million at 1997 prices)

	Adapt	Employment	Leader	Pesca	SMEs	Regis	Rechar	Konver	Resider	Retex*	Urban	Interreg**	Total
B	38.63	45.79	10.31	2.51	12.40	-	15.68	114.45	27.71	4.40	10.45	-	179.33
DK	31.73	14.10	8.16	16.40	2.55	-	-	2.38	-	-	1.52	-	76.84
D	256.70	200.99	182.18	23.00	189.12	-	178.54	302.51	206.58	77.39	115.21	-	1732.23
EL	33.53	70.69	148.00	31.11	83.33	-	3.05	12.91	4.69	87.52	45.20	-	520.02
E	293.16	450.13	373.48	41.50	251.74	216.93	34.21	23.76	73.64	90.39	162.60	-	2011.55
F	278.44	191.20	228.54	28.30	58.49	266.08	33.54	86.16	62.30	39.54	80.52	-	1353.10
IRL	27.84	88.61	69.49	7.84	28.81	-	-	-	-	11.47	20.78	-	254.85
I	219.69	401.39	314.72	34.17	192.53	-	1.89	64.79	92.35	82.99	136.02	-	1540.53
L	0.30	0.30	1.01	-	0.35	-	-	0.36	13.25	-	0.51	-	16.08
NL	69.67	62.62	8.50	10.63	10.34	-	-	12.05	23.54	1.01	22.30	-	220.64
A	11.57	23.01	23.39	-	8.98	-	1.85	-	5.24	2.59	13.36	-	89.98
P	21.43	45.47	130.91	29.26	125.36	126.53	2.26	13.99	9.08	204.90	50.00	-	759.17
FIN	23.56	33.16	28.34	3.41	11.09	-	-	-	-	-	7.89	-	107.45
S	13.07	24.01	16.35	3.97	17.21	-	-	3.35	-	-	4.97	-	82.94
UK	316.81	193.77	66.20	37.42	68.67	-	184.75	136.91	52.15	41.76	121.43	-	1219.88
EU	-	-	16.00	0.69	-	-	-	-	-	-	-	3591.66	3608.36
<b>Total</b>	<b>1636.13</b>	<b>1845.24</b>	<b>1625.59</b>	<b>270.21</b>	<b>1060.97</b>	<b>609.54</b>	<b>455.77</b>	<b>670.61</b>	<b>570.51</b>	<b>643.96</b>	<b>792.75</b>	<b>3591.66</b>	<b>13772.95</b>

\* Including 1993

\*\* Including Peace

## Innovative measures

49 new pilot projects or innovative measures were launched during the year, accounting for Community finance totalling ECU 100 million under Article 10 of the ERDF Regulation. The three types of measures concerned are urban pilot projects and two spatial planning programmes: pilot actions and Terra projects (interregional co-operation on spatial planning in specific areas).

In addition, the ERDF financed some 200 other innovative projects in the following areas:

- new sources of employment
- culture and heritage
- regional strategies for innovation (RIS)
- technology transfer (RTT)
- the information society (RISI)
- interregional cooperation, both external (ECOS-Ouverture) and internal (RECITE II).



## Aid to SMEs

In 1997, the annual report on the implementation of the Structural Funds focuses on aid to Small and Medium Sized Enterprises (SMEs).

The need to attach greater importance to SMEs has been stressed on many occasions in recent European Councils. SMEs account for 66% of the labour force employed in the private sector and 60% of total EU turnover. Their development is therefore crucial to increasing employment and attaining a higher level of economic and social cohesion in the Union.

In the current programming period (1994-99), 15% to 20% of Structural Funds' resources (ECU 23 to 30 billion) are specifically earmarked for support to SMEs.

A wide variety of measures will be supported, of which the main ones are:

- aid for capital investment in the form of direct grants or financial engineering measures (e.g. venture capital funds);
- part-financing of business start-up areas;
- training measures (Objective 4 and the Adapt Community Initiative);
- advisory and information services;
- measures to promote research and technological development and measures relating to the information society;
- support for internationalisation.

## Evaluation of the contribution of the Structural Funds to the development of SMEs

Member States	Total amount (ECU million)	% by regionalised Objective			
		Obj. 1	Obj. 2	Obj. 5b	Obj. 6
Belgium	766	63	32	5	-
Denmark	223	-	43	57	-
Germany	6900	86	7	7	-
Greece	3240	100	-	-	-
Spain	2300	43	28	29	-
France	1300	13	55	32	-
Ireland	975	100	-	-	-
Italy	4700	88	7.5	4.5	-
Luxembourg	6.5	-	85	15	-
The Netherlands	418.6	9	80	11	-
Austria	89.3	-	58	42	-
Portugal	2700	100	-	-	-
Finland	93	-	33	-	67
Sweden	400	-	34	21	45
United Kingdom	2400	25	56	19	-

## The SME Community Initiative

The SME Community Initiative has a funding allocation of ECU 1.1 billion to cover areas eligible under Objectives 1 (ECU 800 million), 2, 5(b) and 6. In Ireland, the programme is based on a financial engineering measure (interest subsidies) for SMEs. In France, two calls for projects relating to cooperation between firms for modernisation, innovation and transnational partnership have been issued. In Italy too, calls for projects have been issued. However, in Spain and Portugal, the programmes are still having difficulties in getting started. The programme in Greece is concentrating on grouping activities to achieve economies of scale, and on helping SMEs to modernise their production and organisation. In Saxony (Germany), the programme is supporting the development and marketing of products. In Austria, the programme includes measures to facilitate environmental audits, remote-access training and advice and environmental technologies. In Sweden, the aim is to improve training and management, access to the single market and new information and environmental technologies to promote competitiveness. The programme in Finland aims to improve links between research and training, and encourage application of the technical regulations for the single market and the grouping of activities.



## Belgium

Objective 2. Adoption of four  
Single Programming Documents  
(SPDs) 1997-99:  
Aubange, Liège, Limburg and  
Turnhout.

Community Initiatives: adoption of  
- 4 Leader programmes  
- 1 Interreg II C transnational  
programme (Rhine-Meuse floods)  
- 1 SME programme (IBEX buyers'  
exhibition)

# Application of the programmes in the Member States

## Belgium

**Objective 1.** 1997 witnessed increased support for the establishment of enterprises employing over 20 staff. At the same time, the criteria for granting aid were made stricter in order to concentrate on strong growth and high value-added sectors. A number of key projects such as the Crachet science park were approved. The "economic stimulation" measure was revised to respond better to the needs of SMEs in Hainaut. In terms of human resources, 36,500 people benefited from vocational training (particularly in companies) or from measures designed to facilitate reintegration.

**Objective 2.** The development strategies followed in 1994-96 were continued in 1997-99, with some major adjustments: in Liège, aid for productive investment was stepped up; in Aubange, the proposed strategy seeks to integrate large, recently established enterprises more fully into the economic fabric of the area by stimulating links between companies in the areas of sub-contracting, R&TD and logistics; in Limburg and Turnhout a new measure, "local initiatives for employment", was adopted.

**Objectives 3 and 4.** In Objective 3 areas, 65,000 people benefited from vocational training, advisory services or measures to facilitate reintegration. In Objective 4 areas, delays caused by the large number of authorities involved meant that the programmes did not get underway until 1996; in 1997, some 11,000 SME employees received training, despite the difficulties encountered, particularly with the Flemish Community programme.

**Objective 5(a).** Support for the processing and marketing of agricultural products was adjusted to take account of changes on the agricultural markets, and many environmentally-friendly projects were adopted. With regard to measures designed

to improve the efficiency of agricultural structures, the Walloon Region introduced compensatory allowances for natural handicaps. New investments were also made under the fisheries programme, particularly in the areas of marketing and processing.

**Objective 5(b).** In 1997, efforts in Wallonia to improve programme implementation resulted in a rise in the commitment of Community appropriations to 47%. In Flanders (Meetjesland and Westhoek), other than where strictly agricultural projects were concerned, progress was relatively slow.

**Community Initiatives.** The Leader programmes were approved during the year and, in general, the industrial conversion Initiatives (Konver, Resider, Retex and Rechar) made good progress. The first Retex projects for Westhoek were adopted at the end of 1997 but the SME and Urban Initiatives encountered difficulties in implementation, which induced the Walloon Regional authorities to submit reprogramming proposals following the allocation of the reserve. The second series of Employment and Adapt projects were selected. The Pesca projects launched in 1996 made progress.

### SMEs: some examples

- In Hainaut (Objective 1), three venture-capital funds part-financed by the ERDF provided aid in the form of capital holdings, loans and the issue of convertible bonds to SMEs, for whom the main selection criteria was their job-creation potential.
- In the Turnhout industrial reconversion area, the "sponsoring" of SMEs by large companies through a network of 700 firms led to the creation of 1,670 jobs. In Limburg, a newly opened multimedia centre conducts research work under contract with an eye to SMEs.
- In the rural areas of Flanders, measures to assist SMEs have mainly involved the establishment of a coordination centre, providing support for enterprises as



regards the environment, while in Wallonia, aid for productive investment has already created almost 180 jobs in rural areas.

## Denmark

**Objective 2.** In Lolland, the new programme adopted for the 1997-99 programming period is designed to expand the development base of firms and increase the number of jobs and total income in the region. In North Jutland, the aim is to increase the competitiveness of enterprises through innovation, infrastructure and better education systems.

**Objectives 3 and 4.** In the light of national measures which raised the employment rate among young people, assessors recommended that the priorities for Objective 3 should be redirected towards the over 25s. They also recommended longer-term training. In the case of Objective 4, they noted the growing importance of vocational training and improvements in training systems to deal with organisational and technological changes.

**Objective 5(a).** In 1997, the Danish authorities proposed for the first time a list of areas considered to be disadvantaged. As a result, farmers on 30 small islands will receive compensatory allowances. By the end of the year, the rate of commitment of EAGGF appropriations for the processing and marketing of agricultural products amounted to 70%. A measure for early retirement was included in the fisheries programme.

**Objective 5(b).** The mid-term evaluation shows that, in general, the programmes are progressing well despite delays in their implementation.

**Community Initiatives.** Two Interreg II C programmes were approved at the end of 1997, whilst the only industrial conversion programme, Konver, was closed. A second series of Employment and Adapt projects were selected. The heads of development were appointed for the Leader programme and projects designed to encourage the acquisition of skills were launched. 70% of

the investment approved under Pesca had been made.

### SMEs: some examples

- In North Jutland, the NOVI science park, the university of Aalborg and two information technology centres are jointly responsible for the "Nordjysk Innovation" project, designed to encourage industrial conversion by improving relations between SMEs and university researchers. The project is based around the establishment of a secretariat to facilitate links between firms and the university, as well as databases detailing research results and SME research requirements.
- The SME Community Initiative provides assistance for improving the skills base of entrepreneurs, thus encouraging the survival of SMEs (the failure rate should be reduced from 10% to 6%), in both industrial and rural areas.

## Germany

**Objective 1.** Since 1994, the Structural Funds have supported 22,000 projects in the new Länder, thus helping to create 107,000 jobs and preserve 23,000 others, mainly through productive investment and aid to SMEs. In rural areas, the construction of modern agricultural facilities continued in 1997; assistance was also directed at the creation of jobs in alternative sectors, particularly "direct marketing" and agri-tourism.

**Objective 2.** The priorities for 1994-96 were extended for 1997-99. A new priority was adopted in Lower Saxony to aid SMEs develop cleaner production processes.

**Objectives 3 and 4.** A higher number than expected benefited from training measures in 1997. The reform of the national employment plan (Arbeitsförderungsgesetz) came into force and included support for training measures designed to facilitate the reinsertion of the unemployed into the labour market. The earlier programme for Objective 4 was extended to 1997-99. It was also agreed to assist those establishing new firms.

## Denmark

**Objective 2.** Adoption of two Single Programming Documents (SPDs) 1997-99:  
- Lolland and North Jutland.

**Objective 5(a):** through indexation, the appropriations for the FIFG were increased to ECU 142.5 million to cover the early retirement of fishermen.

**Community Initiatives.** Adoption of two Interreg II C transnational programmes: Baltic Sea, North Sea.

## Germany

**Objective 2:** adoption of nine Single Programming Documents (SPDs) 1997-99:  
Lower Saxony, Bavaria, Berlin, Bremen, Hesse, North Rhine-Westphalia, Rhineland Palatinate, Saarland, Schleswig-Holstein.

**Community Initiatives:**  
- 2 Urban programmes (Zwickau and Kiel),  
- 1 SME programme (IBEX buyers' exhibition),  
- 4 Interreg II C transnational programmes (Rhine-Meuse, Baltic Sea, Adriatic-Danube, North Sea).



## Programmes adopted and grants made in 1997

### Greece

- Adoption of a global grant for 'Industry' (ECU 15 million from the Structural Funds).
- Main roads: a further ECU 234.9 million (public expenditure), including ECU 141 million from the ERDF.
- Industry: a further ECU 229.7 million (public expenditure), including ECU 136 million from the ERDF.
- Tourism: reduction of ECU 120 million (public expenditure), including ECU 30 million from the ERDF.

Community Initiatives: adoption of the Interreg II A Greece/Italy programme and the Interreg II C CADSES transnational programme.

**Objective 5(a).** About 55% of the appropriations for agricultural structures went on compensatory allowances in disadvantaged areas (which account for 50% of the usable agricultural area). The special conditions governing investment aid in the new Länder expired on 1 January 1997 and a new national programme for agricultural investment (Agrarinvestitions-förderprogramm 1997-2000) was launched. All investments planned for the fisheries sector were carried out.

**Objective 5(b).** Most programmes made quite good progress, although there were some delays in North Rhine-Westphalia and Saarland.

**Community Initiatives.** Seven new programmes were adopted (see margin). The numbers receiving training under Adapt and Employment exceeded expectations. The Leader II programme was successfully implemented in 1997, particularly thanks to innovative projects designed to provide specialist training and qualifications. Implementation of Pesca was generally good except in Schleswig-Holstein.

#### SMEs: some examples

- In the new Länder, aid to SMEs should create 62,000 jobs between 1994 and 1999 through measures such as the multi-sectoral technology centre in Brandenburg, start-up facilities for firms located on the former Schöneeweide industrial site in East Berlin, restoration of the derelict industrial site at Wilhelminehofstrasse, provision of a training centre for handicapped persons in Thuringia, and support for a small firm in Saxony-Anhalt, where an entirely new procedure was used to manufacture non-woven materials for babies' nappies, etc.
- In the areas undergoing industrial conversion in the West, examples include the establishment of a low access cost business park in Schleswig-Holstein, a prototype test centre for SMEs affected by the crisis in the steel-making industry (North Rhine-Westphalia), loans to recruit innovation experts in Hesse, aid from the SME Initiative to enable 50 firms to take part in a certification system in the Saarland, etc.

- Aid to SMEs in rural areas is directed mainly at telecommunications and combined marketing and RTD, with impressive results: it is estimated, for example, that in Bavaria, investment aid has resulted in the creation of 7,400 jobs.

### Greece

**Objective 1.** The last bodies for implementing assistance (Agency to attract investment to Greece, Agency to improve the management of regions and ministries, etc.) were set up in 1997. The programmes made good progress, apart from the national programme to modernise postal services, which did not begin until 1998. Important decisions were, however, taken to increase the ERDF contribution in certain programmes (roads, industry) and reduce it in others (tourism and culture): see margin.

The human resources programmes were revised: the reform of the education system adopted by the government in 1997 was incorporated into the programme for education and basic training, while programmes for on-going training and the promotion of employment were revised to include new measures.

The national programme for agricultural development achieved a very satisfactory rate of implementation. The reprogramming for the fisheries programme meant that the whole of the 1996 instalment and 80% of that for 1997 could be paid

**Community Initiatives.** The industrial conversion programmes Resider, Rechar, Konver and Retex made good progress but Urban suffered a considerable delay, mainly in establishing the required partnerships. Virtually all of the Interreg-Regen programme, designed to facilitate the completion of energy networks, was implemented. Commitments for the first phase of the Employment and Adapt Initiatives totalled 90% and the remaining 10% was transferred to the second phase. SMEs participated to a greater extent in the second phase of Adapt. 1997 saw the most effective Leader local action groups get



down to work and 98% of the appropriations for Pesca were committed.

#### **SMEs: some examples**

- The national programme for industrial modernisation includes aid for SMEs, such as the global grant provided in 1997 for the industrial development of the north of the country and the opening up of the market to central and eastern Europe. As regards RTD, since 1993 the ERDF has been providing support for the establishment of a new science and technology park at Heraklion, Crete, (STEP-C). The purpose of the new park is to establish a third area of development for the island alongside the traditional activities of agriculture and tourism. The park is providing services to a large number of firms in a variety of fields; including information technologies, lasers, medical equipment, ceramics and plastics.
- Aid for rural development focuses on the agri-foodstuffs sector, through support for 421 projects for processing and marketing submitted by SMEs between 1994 and 1997.

## **Spain**

**Objective 1.** Excluding the three new projects granted assistance during the year (see margin), about 85% of the funding for Objective 1 was committed in 1997. An amendment to the financing plan was proposed, firstly, to increase the share of funding allocated to "developing the economic fabric" and reduce that allocated to measures for tourism and access, and secondly, to consolidate measures designed to prevent unemployment and to develop the "pathways to integration".

The main reprogramming concerning agriculture was greater support for the agri-foodstuffs industry and agricultural structures (see margin).

**Objective 2.** The Community Support Framework for 1997-99 was adopted during the year (see margin), as were most of the programmes under it. The priorities of these programmes were substantially different

from earlier ones. Support for firms' efforts to create jobs became the main priority (totalling almost 45% of the assistance available from the Funds), RTD and innovation were made the subject of a separate priority (over 17%) and measures to protect the environment received 12% of aid as compared with 4% in 1994-96.

**Objectives 3 and 4.** Eleven Objective 3 programmes were implemented, four (71% of the total amount) managed by national bodies and seven (29%) by the Autonomous Communities. Emphasis was placed on the integration of young people into working life, mainly through training in technology. The evaluation showed the need for greater concentration on the most disadvantaged groups. In the case of Objective 4, the entry into force early in 1997 of the Agreements on on-going training entailed some re-programming, mainly to assist more groups of self-employed workers and agricultural workers; it proved necessary to revise the list of jobs most threatened by industrial change. The participation rate of SMEs rose to 50%, which was a clear improvement, but still lower than the 80% target.

**Objective 5(a).** The processing and marketing of agricultural and forestry products received a transfer of appropriations (see margin). Of the total appropriations for fisheries, 54% was paid by the end of 1997, including 80% of the 1997 instalment.

**Objective 5(b).** The steady pace of programme implementation continued: by the end of the year, about 63% of assistance had been committed and 49% paid, results which are well above the Community average for this Objective. Transfers were agreed upon between the Structural Funds and between priorities: those for "economic diversification" and "the protection of the environment" were reduced and those for "infrastructure" and "village renovation" increased.

**Community Initiatives.** The Konver II programme was adopted (see margin). Overall, financial implementation of the Initiatives remained unsatisfactory, particularly in the cases of Urban, Interreg II

## **Spain**

**Objective 1.** Three new items of assistance:

- Global grant for SMEs in Castille-Leon (ECU 56.2 million from the ERDF),
- Major project for a general collector in Santander Bay (ECU 17.7 million), and
- Major project for the Cartagena-Puertollano oil pipeline (ECU 62.9 million).

A further ECU 57 million for the "agri-food industry and structural measures in agriculture" programme.

**Objective 2:** adoption of the Community Support Framework 1997-99 (Community assistance of ECU 851.9 million, plus ECU 145.5 million transferred from the previous period) and programmes under that CSF, except Madrid, the Basque Country and the ESF multi-regional programme.

**Objective 5(a):** transfer of ECU 50 million from aid for agricultural structures to aid for processing and marketing.

**Community Initiatives:** adoption of the Konver II programme for 1997-99 (forecast expenditure of ECU 49.5 million including ECU 23.8 million from the ERDF) and a programme for SMEs (IBEX buyers' exhibition)



## Programmes adopted and grants made in 1997

### France

**Objective 2:** adoption of the 1997-99 SPDs for the 19 regions concerned, and of a technical assistance programme (total Community assistance: about ECU 2.2 billion).

**Objective 5(b):** adoption of a technical assistance programme.

- Community Initiatives: adoption of five new Urban programmes (Châlons-sur-Saône, Bastia, Clichy-Montfermeil, Mantes-la-Jolie and Saint-Etienne), one Leader II technical assistance and one transnational Interreg II C programme (Rhine-Meuse flooding).

Spain/Portugal, and SMEs. Implementation of the Leader II programmes should improve when work begins on the projects submitted by 105 local action groups. The reprogramming of Pesca should improve its still inadequate rate of implementation. As a result of the second and final call for proposals under Adapt and Employment, 492 and 1,319 projects were selected respectively.

#### SMEs: some examples

- The technology park at Málaga (Andalusia, Objective 1) is now home to around 40 SMEs and scientific bodies such as the Andalusian Institute for advanced automation and robotics. Technology transfer and its contribution to research programmes and European networks mean that it has an influence beyond its home region, and it provides an experimental base for exchanges of technology between Europe and North Africa. In Murcia, projects receiving EU funding include training in new technologies for SMEs in the furniture and wood-working industries. Particular attention is being paid to those categories of workers with poor skill levels.
- A wide-ranging multi-regional programme for agriculture is based on the modernisation of production and improvements in the agri-food sector.
- Industrial conversion projects include the IDIADA Centre for motor vehicle testing and certification in Tarragona (Catalonia). The Centre is used by some 250 companies, including many SMEs who work as sub-contractors in this sector.

### France

**Objective 1.** Due to the lack of adequate statements of expenditure, in 1997 the Commission was unable to commit ECU 190 million to four Single Programming Documents (SPDs) in Corsica, Martinique, Réunion and Hainaut. With regard to agriculture, difficulties in implementation are continuing in Martinique and French Guiana, although programmes are advancing well in Guadeloupe, Réunion, and particularly in Corsica. Aid for the construction of fishing

vessels has been blocked because France has yet to meet its targets for the multi-annual guidance programme for fisheries.

**Objective 2.** Almost all of the programmes for 1997-99 were approved (see margin). As it was not possible to complete all the programmes for the period 1994-96, 13% of total financing allocated for this period was transferred to 1997-99. After a slow start, implementation of Objective 2 in France is now in line with the Community average.

**Objectives 3 and 4.** Objective 3 was reprogrammed in line with the new priorities of the French authorities: assistance for the integration of those threatened by exclusion from the labour market was increased substantially (36%), while support for the integration into working life of the long-term unemployed was reduced (30%). Budget implementation is below the Community average for this Objective. In the case of Objective 4, however, it improved sharply in 1997 and the decision to reconfigure technical assistance measures is designed to improve local support structures and assist SMEs to present projects.

**Objective 5(a).** Compared with 1996, support for the modernisation of agricultural holdings (8,300 holdings registered) fell by 10% in 1997, while aid for the installation of young farmers (9,030 applications) grew by 7%, and compensatory allowances (130,000 people) remained at the same level. The sound pace of implementation of aid for the processing and marketing of agricultural and forestry products continued. Payments for fisheries stood at 35% at the end of 1997 as compared with a Community average of 41%. Expenditure on port facilities and aquaculture remains modest.

**Objective 5(b).** The national programme for technical assistance introduced at the beginning of 1997 should improve programme management in regions unaccustomed to Community financing mechanisms. Projects supported by the EAGGF often encounter difficulties in introducing operations of an economic nature, particularly in the agri-food sector, because of the small number of project



promoters in rural areas. Some regions, such as Burgundy, Limousin and Franche-Comté, have successfully introduced projects to exploit local forestry resources.

**Community Initiatives.** The Commission approved five new Urban programmes (see margin). It is still proving difficult to launch Regis programmes in the four overseas departments. The new Employment and Adapt projects were selected - in the case of Adapt, SMEs were well represented and greater priority was granted to technological development (the information society). Programming for Leader was quite slow. Although a first batch of local action groups were selected, implementation made poor progress. A reprogramming of the Pesca programme was undertaken to put greater emphasis on ERDF projects.

#### **SMEs: some examples**

- The BIC at Valenciennes (Nord/Pas-de-Calais, Objective 1) facilitates relations between SMEs in the tertiary sector and research workers, through a network operating at both local and international level.
- Industrial conversion measures include the establishment in Eure (Upper Normandy) of an area for pharmaceutical packaging; in one year, five SMEs have been established in the area, providing 120 jobs. At Alès (Languedoc-Roussillon), when IBM (its main client) transferred much of its production to the United States, an SME was given assistance in setting up a data-exchange system linking it to IBM and its own local sub-contractors.
- In rural areas, one example among many is an SME in Burgundy which benefited from assistance to expand from a small craft firm to an industrial enterprise, and now produces high-precision plastic parts.
- Basic training is organised at national level for the 50,000 least-skilled workers in the agri-food industry (particularly in SMEs), by the establishment of a multimedia distance-learning scheme which facilitates periods of self-training.

## **Ireland**

**Objective 1.** Transfers were made from the productive sector to human resources and road infrastructure (see margin). In addition, extra funds were allocated to RTD, and two environmental measures (the control of farmyard pollution and the milk hygiene scheme) were allocated aid worth ECU 28.5 million. For the first time, assistance was provided for the establishment of child care facilities. There emerged a clear need to allocate additional funding to human resource measures, in order to focus them more closely on the needs of the long-term unemployed, the most disadvantaged social groups and early school-leavers, and to develop a more market-led approach towards the supply of training. On the agricultural side, amendments were made to compensatory allowances. The fisheries programme is progressing well.

**Community Initiatives.** The mid-term evaluation did not result in any major reallocations of finance although it enabled programmes to be better targeted. The Retex programme was extended and new projects were selected under Employment and Adapt. Operations continued under the Peace Initiative, although at a slower pace than expected. The competent authorities and those responsible for the realisation of projects will have to justify their requests for extra funding for 1998 (see margin) and 1999.

#### **SMEs: some examples**

- Since the majority of firms in Ireland are SMEs, many are participating in Structural Funds programmes. Venture-capital and seed-capital funds, which were not available to SMEs on the private market, have been established under the Industry programme. The investments made by these funds allow SMEs to develop more quickly, while consolidating their balance sheets. The Industry programme has also introduced a new measure on research, technology transfer and innovation in firms, which enables SMEs to benefit from subsidised interest rates.
- Loans to SMEs at reduced interest rates were also provided, with great success, under the SME and Peace Community Initiatives.

## **Ireland**

#### **Objective 1:**

- transfer of ECU 163 million, mainly from the "productive sector" programme to human resources and roads;
- finance for two new measures (checking agricultural pollution and milk hygiene; Community aid ECU 28.5 million);
- further ECU 20 million for aid for early school leavers.

#### **Community Initiatives:**

- extension of Retex for one year;
- further ECU 100 million for Peace in 1998;
- adoption of the Leader II technical assistance programme.



## Programmes adopted and grants made in 1997

### Italy

#### Objective 1:

- transfer of ECU 698 million (early 1998) from regions and programmes which had not used finance effectively to others which had been better implemented;
- adoption of a new multi-regional programme to set up organisations for and support the work of fruit and vegetable producers;
- adoption of the Pianura programme, a global grant for the area of Brindisi in crisis, four multi-regional programmes (environment, airport infrastructure, project park, civil protection), a multi-regional global grant "Literature Parks".

**Objective 2:** adoption of the 11 SPDs for 1997-99 (Community aid of ECU 798 million, plus ECU 170 million transferred from the previous period).

**Objective 5(a) "agriculture":** adoption of a multi-regional programme (total cost ECU 714 million, including ECU 185.6 million from the Structural Funds).

#### Community Initiatives:

- adoption of three Interreg II A cross-border programmes: Italy/Greece (ECU 169.2 million from the Structural Funds), Italy/Austria (ECU 11.8 million) and Italy/Slovenia (ECU 15.6 millions);
- adoption of an Interreg II C programme to combat drought (ECU 15.2 million from the ERDF);
- extension of the Urban programme to include three other towns (Trieste, Lecce, Catanzaro) bringing the total allocation of Structural Funds assistance for the Urban programme to ECU 136 million.

## Italy

**Objective 1.** Financial implementation speeded up in 1997. Expenditure on the ground reached the target level of 38%, although with substantial variations between Funds and between items of assistance. The mid-term evaluation resulted in large reallocations of funds between programmes and between regions (see margin).

Good results were achieved on the human resources front (young people and school-leavers benefited from appropriate training measures), as well as in industry, the environment and tourism. A new multi-regional programme was adopted for agriculture (see margin). The crisis in the fisheries sector in 1997 (falling catches, increased costs and imports) was reflected in the low implementation rate for the programme.

**Objective 2.** The programmes for 1997-99 were adopted (see margin). The areas eligible are virtually unchanged, with extensions in Emilia-Romagna and Lombardy. The strategies and goals are broadly the same, although with greater attention paid to the ability of SMEs to access new technologies, integrated local development projects, the environment and equal opportunities. Support for employment measures is planned for all areas.

**Objectives 3 and 4.** The evaluation of Objective 3 demonstrated the need to improve coordination between the education system and training bodies. Participation by SMEs and non-profit-making bodies increased and a priority for local development was introduced. In accordance with the new law on employment (June 1997), it was decided to transfer resources to aid for young people, women and socially excluded groups. After a slow start, implementation of Objective 4 improved sharply in 1997, although not enough to make up the backlog.

**Objective 5(a).** Progress in implementation of agricultural measures varies considerably from one programme to another. However, overall, implementation of payments remains

low (31%), despite a substantial improvement over 1996. One multi-regional programme was adopted (see margin). Due to the general crisis in the sector, only 19% of payments for fisheries could be made.

**Objective 5(b).** The evaluation broadly confirmed that the strategies were correct but also revealed some special features which explain the slow rate of implementation (complexity of calls for tenders, a large number of micro-projects, etc.). New employment measures were also included.

**Community Initiatives.** Four programmes were adopted and the Urban Initiative extended (see margin). Most of the other programmes made fairly limited progress in 1997. The new Adapt and Employment projects were selected. In the case of Leader II, virtually all regions completed the selection of local action groups and work on projects began. By the end of the year, no certificate of expenditure for the Pesca programme had been received.

#### SMEs: some examples

- Throughout the Mezzogiorno, the ERDF is supporting a national scheme to assist SMEs in the areas of transport, the environment, RTD and industry. It has proved particularly successful in the latter two sectors. Aid is also being supplied to SMEs in southern Italy through the "Tari" project in Caserta (Campania). The project comprises the establishment of an ultra-modern, multi-purpose centre which brings together under one roof all those involved in the jewellery industry in Naples, and includes the provision of workshops for those involved in training and research. In terms of jobs created, the number of persons employed in this sector has tripled since the project started.
- In agriculture, 33 SMEs in the agri-food industry in Sicily are benefiting from aid designed to maintain 400 jobs and create a further 90.
- In terms of assistance provided for industrial conversion, the "Tecnoparco" project in Piedmont houses some 15 innovative SMEs with substantial potential for growth in two sectors: components for automated systems in the



home and automation in general, and biotechnology applications. The companies share services and laboratories and engage in transfers of technology between themselves and with the outside world, mainly through the Community research programmes.

## Luxembourg

**Objective 2.** The evaluation demonstrated the success of the new enterprise sites, ZARE and PAFEWE. These type of actions will continue to be supported in 1997-99, but with increased attention placed on measures to protect the environment.

**Objectives 3 and 4.** The ESF has enabled a jobseeker placement service to be established that brings together the tasks of jobsearching, needs analysis, appropriate training, work- placements and the follow-up within a firm of those newly placed. It also supported the efforts of training organisations and encouraged new approaches to job seeking and advisory services for young people.

**Objective 5(a).** Luxembourg requested that measures concerning the processing and marketing of agricultural products be extended to cover fruit and vegetables and potatoes. Aid for fisheries was mainly concerned with maintenance of a breeding unit which is the sole beneficiary of the programme.

**Objective 5(b).** The assessors recommended abandoning measures which cannot be completed during the reference period (the Alsdorf telecentre, the Martelange slate works) and allocating extra funding to rural heritage measures. A new financing plan was adopted.

**Community Initiatives.** The Resider and Konver programmes were adopted. Implementation of the Urban Initiative slowed down because of administrative difficulties in getting authorisation to renovate blighted areas. The progress of the Interreg, Leader, Employment and Adapt programmes was considered good.

### SMEs: some examples

- The PAFEWE industrial zone, built on a former slag heap, seeks to attract activities not directly linked to the former steel industry, now in decline. It houses, for example, recycling companies together with manufacturing and small craft firms. The ZARE project aims to broaden the supply of equipped sites to enterprises other than those directly targeted under the Economic Diversification Act. Measures are being taken to develop and revitalise industrial, crafts-based or commercial enterprises that wish to set up or develop in the region. These two projects have quickly had a positive effect and have already created some 370 jobs.

## The Netherlands

**Objective 1.** The revisions proposed for Flevoland are mainly intended to reduce the planned budget for industrial and commercial areas (see margin). The main feature as regards human resources is the creation of a budget for employment. A further revision will reduce the minimum number of participants in ESF measures to facilitate SME participation. Assistance to fisheries from Funds other than the FIGG was considered necessary.

**Objective 2.** The programmes adopted for 1997-99 have the same priorities as before but special attention was paid to local employment initiatives, infrastructure for RTD, the transfer of technologies to SMEs and transport.

**Objectives 3 and 4.** The Objective 3 programme was implemented as planned; 85% of the budget for the year was actually spent and the rest will be transferred to future years. The programme for Objective 4 was well on target with good financial implementation; most of the projects in the Netherlands concern groups of firms in a particular sector and applications for finance for projects under Objective 4 involve increasingly large amounts.

## Luxembourg

**Community Initiatives:** adoption of the Resider and Konver programmes and a transnational Interreg II C programme (Rhine-Meuse floods).

## The Netherlands

### Objective 1:

- reduction of ECU 100.5 million in the budget for the "industrial and commercial areas" measure, since the main project (port of Almere) could not be implemented within the envisaged timescale;
- establishment of a budget of ECU 5 million from the ESF for the "Employment" measure.

**Objective 2:** transfer of ECU 80.1 million from projects not closed in the previous period to 1997-99.

### Community Initiatives:

- adoption of two new Urban programmes: Utrecht and Rotterdam (each receiving ECU 6.5 million from the ERDF);
- adoption of the Leader II technical assistance programme;
- adoption of two Interreg II C transnational programmes: Rhine-Meuse (ECU 137.1 million from the ERDF) and North Sea (ECU 14.5 million);
- extension of Resider to the end of 1999;
- proposed transfer of ECU 2 million from Adapt to Employment.



## **Austria**

**Community Initiatives.** Adoption of two Interreg programmes:  
- 1 Interreg II A cross-border programme: Austria/Italy;  
- 1 Interreg II C transnational programme: CADSES (Central Europe, Danube, Adriatic and South East).

**Objective 5(a).** New agricultural projects were introduced in 1997 to improve competitiveness and commercial capacity, while also revitalising the horticultural sector. The rate of implementation of measures for processing and marketing improved, but it is still too low in the case of measures for fisheries.

**Objective 5(b).** A number of transfers between priorities or measures were proposed. In the provinces of Friesland, Groningen-Drenthe, Overijssel and Limburg, activity centres mainly on the establishment of new firms, tourism and landscaping, while in Zeeland, priority is accorded to the diversification of agriculture. Overall, programmes made good progress and measures to protect the environment play an important role in them.

**Community Initiatives.** New programmes under Urban and Interreg II C (see margin) were adopted and implementation of Retex, Resider and Konver is in line with forecasts. The Resider programme was extended and eligibility to participate in Konver projects expanded, to include firms other than those in the defence sector. The Leader II national network was approved and financial implementation was as expected. The new Adapt projects were unable to absorb the total funds available and a transfer of resources to Employment was proposed.

### **SMEs: some examples**

- By providing aid for the recruitment of young graduates and skilled workers, the KIM project seeks to encourage innovation in SMEs in Flevoland (Objective 1). Assistance is granted subject to conditions which prevent its being used simply as a source of cheap labour.
- In the Arnhem-Nijmegen industrial conversion area, a project to improve logistics for SMEs in the transport and distribution sectors has already resulted in the creation of 94 jobs and provided specialist training for 280 workers in 20 firms. In Twente, "trailing" SMEs (those not at the leading edge of innovation) can benefit from outside expert advice, loans and support for investment in innovation.
- In rural areas of Friesland, the development of SMEs is based on

projects such as the Drachten and Heereveen industrial park or planning of industrial areas linked to water sports.

## **Austria**

**Objective 1.** Implementation proceeded well in Burgenland. Most projects relating to investment in industry, business infrastructure and tourism were completed, but the implementation of training measures must be speeded up. The target for job-creation was revised downwards to render it more realistic. The evaluation suggested that the strategy being followed was correct, but a working party was set up to assist the establishment of firms in the centre and south of the region.

**Objective 2.** With some 2,070 of the planned 3,940 jobs already created, implementation is satisfactory. However, it was decided to correct differences in implementation between measures. For example, support for productive investment and direct aid to firms is progressing better than measures to assist tourism and RTD.

**Objectives 3 and 4.** The mid-term evaluation of Objective 3 showed that 88,500 people had received training and that 80% of resources were allocated to measures to improve education and training, 10% to employment measures and the rest to advisory and monitoring structures. About half of those trained found a job within six months. In 1997, the programme was amended to increase support for young people. The system for implementing Objective 4 was altered so that measures were targeted more closely on employees of SMEs facing industrial change. Strict conditions were imposed on the participation of large firms.

**Objective 5(a).** Those agricultural areas classified as disadvantaged were extended to cover 69.4% of the usable agricultural area. Over 99,000 farmers now receive compensatory allowances. Products were added to the programme for processing and marketing. After two slow years at the beginning, the fisheries programme made good progress in 1997.



**Objective 5(b).** Due to the short time for which the programmes had been in operation, a general evaluation of the seven eligible regions (which make up 60% of the area of Austria and 30% of its population) was not yet possible.

**Community Initiatives.** Two Interreg programmes (see margin) were adopted in 1997 and their financial implementation has already proved very satisfactory. The mid-term evaluation of earlier cross-border programmes showed that, although the projects were of good quality, the absorption of appropriations should be speeded up, particularly in the case of measures concerning the Union's external frontiers. The SME Initiative is still making slow progress but a large number of pilot projects (information technologies, the environment) have begun. Decentralised selection for Adapt and Employment projects worked well, although the administrative procedures sometimes left room for improvement. Implementation of Leader was considered good.

#### **SMEs: some examples**

- The network managed by the regional information centre in Wiener-Neustadt, in Lower Austria, which is linked to the Commission's BC-Net and to Euro-Info-Centres throughout the Union, provides assistance and advisory services for new SMEs and facilitates links with technology institutes and potential partners in other countries. In Styria, five business parks ("thrust centres") adjacent to industrial areas and coordinated via the Internet, provide infrastructure and facilities adapted to the needs of new firms. In Vorarlberg, a public/private partnership is managing an "eco-profit" plan designed to encourage better use of resources and reduce the pollution created by new investments. The project both cuts pollution and aids SMEs to reduce their costs.

## **Portugal**

**Objective 1.** The main changes decided upon in 1997 include extra funding for regional programmes and additional

resources for industry, transport, vocational training and employment. This was made possible by the transfer of appropriations from other sectors (see margin). The evaluation also showed that the rate of implementation was often ahead of expectations. For instance, by the end of 1996, the construction of motorways and main roads totalled 74% of the target set for 1999. In the case of telecommunications, the goal set for 1999 of reaching the EU average of 42 lines per 100 people, had already been achieved by the end of 1996.

Under the programme for vocational training and employment, it was agreed to concentrate resources on basic training, apprenticeships and further training for young people who have dropped out of education. The other human resources programmes should facilitate access to training for SME employees. An integrated development programme (PEDIZA) for the Alqueva area in Alentejo was also adopted in 1997 (see margin); it is based on the construction of a dam on the Guadiana.

**Community Initiatives.** A new Interreg II C programme to combat drought was adopted in 1997 (see margin). The Interreg IIB programme (energy networks), also adopted during the year, meant that natural gas could be brought to Portugal for the first time. The four conversion Initiatives (Retex, Rechar, Resider and Konver) were strengthened and extended to 1999. The new projects under Employment and Adapt were selected, as were all the Leader local action groups. After a slow start, a single instalment for Pesca was committed by the three Funds involved.

#### **SMEs: some examples**

- A consortium of eleven SMEs engaged in the shoemaking trade are using ERDF assistance to organise the FACAP project for the development of this sector, through the purchase of 56 new machines and the introduction of new technologies (water-jet cutting, computer-assisted design, use of robots, etc.). As part of the PEDIP II industrial programme, a small firm producing technical glass was able to maintain about 100 jobs through the introduction of a quality assurance

## **Portugal**

**Objective 1.** Financial transfers to a number of programmes including:

- regional programmes (ECU 133 million from the ERDF, of which 44% goes to the environment);
- the sub-programmes for "industry" (ECU 46 million) and "transport" (ECU 34 million for the north/south link and the Lisbon underground railway extension);
- vocational training and employment (ECU 35.7 million from the ESF).

These transfers were made from energy (ECU 13.8 million), vocational training in agriculture (ECU 30.5 million), commerce (ECU 50 million) and local agricultural development (ECU 15 million).

- Adoption of an integrated development programme (PEDIZA) for the Alqueva area in the Alentejo (total public investment of ECU 376.7 million, including an exceptional contribution from the Structural Funds of ECU 203.1 million).

**Community Initiatives:** adoption of a new Interreg II C programme to combat drought (ECU 6,247,000 from the ERDF).



## Programmes adopted and grants made in 1997

### Finland

**Objective 2:**  
- adoption of a Single Programming Document (SPDs) 1997-99.

**Community Initiatives:**  
- adoption of an Interreg II C transnational programme (Baltic Sea)  
- adoption of a second Urban programme (Helsinki-Vantaa)  
- adoption of a Leader II technical assistance programme.

scheme, which led to an ISO 9002 certification for its range of 1,200 products for use in education and health. The company exports 40% of its products. Another example is a company engaged in dyeing and bleaching knitwear, which, by introducing automated production procedures and computerised management systems, managed to increase its productivity by 10% and thus improve the quality of the service it offered.

## Finland

**Objective 2.** Actions under Objective 2 helped to create about 5,000 jobs in 1995 and 1996. The experience of these two years and simplifications to the structure of the new programme resulted in the commitment of 44% of the budget for 1997-99 by the end of 1997. At that date, commitments for the whole period 1995-99 were approaching 58% of total assistance. ESF aid for human resources appeared to be based too often on supply and needed to respond better to the real requirements of SMEs.

**Objectives 3 and 4.** 68,000 people received training under Objective 3 in 1997. This was 75% of the estimated figure for the period 1995-99. More than 20,000 SMEs benefited from assistance under Objective 4 and some 69,000 people received training and guidance. This was 85% of the estimated figure for the period. However, the period of training for each participant was shorter than planned. The mid-term evaluation did not give rise to any significant changes.

**Objective 5(a).** In 1997, compensatory allowances to 1,200 farmers accounted for 90% of expenditure on agricultural structures. In addition, 133 projects providing aid for the processing and marketing of products were adopted. In the case of fisheries, implementation speeded up considerably with some 700 projects approved. All the appropriations for the period were committed and 80% paid.

**Objective 5(b).** The evaluation demonstrated that the administrative structures for the programmes needed to be improved and that regional disparities were tending to develop between rural areas, which were suffering from outward migration, and others. Objective 5(b) programmes concentrate on SME diversification and improvement, the establishment of rural services and the attractiveness of rural areas. Another major objective is to adapt rural areas to the CAP. The effect of projects on the environment is taken into account in all cases.

**Objective 6.** It was decided to transfer resources to measures which had absorbed all available funding, in particular those designed to strengthen the business economic environment, training measures (21,000 people since 1995) and combating unemployment. The ESF measure for the "information society" also received extra funds. Loans to micro-businesses were introduced. Time lost in the implementation of measures relating to agricultural structures and rural development was made up.

**Community Initiatives.** One Interreg II C programme was approved (see margin) and the first evaluations of Interreg drew attention to the need for better project selection. Procedural differences between Interreg and Tacis made it difficult to finance genuinely cross-border projects with Russia. The Helsinki/Vantaa area received funding from Urban and in the Joensuu area, 100% of appropriations were committed and 50% paid. The SME programme gathered pace and all appropriations were committed. Some 5,000 people took part in projects under Adapt and Employment in the period up to 1997, and estimates for new projects predict that 6,000 will benefit under the Employment Initiative and 4,000 under Adapt in the period up to 1999. Ten Leader local action groups were established and got down to work.

### SMEs: some examples

- A centre of excellence for research into plastics and metal-working was set up in the thinly populated region of Northern Karelia (Objective 6), and the new



Micropolis centre in Oulu in Northern Ostrobothnia offers a base to SMEs in the micro-electronics sector.

- The "furniture and design technologies" project in the industrial conversion area of Pääjät-Häme (Lahti), established a network among manufacturers, producers of raw materials and training bodies, facilitated training for 55 firms, created 160 jobs and preserved 840. In the Kymenlaakso region, 36 SMEs have regrouped their logistics services to cater for foreign companies wishing to trade with Russia.
- Various types of aid to SMEs in rural areas under Objective 5(b) led to the creation of 1,200 firms, of which 350 are in agriculture.

## Sweden

**Objective 2.** The results obtained in 1997 suggested that the expected job creation impact of the programmes (21,000 new jobs) would be achieved. The measures are based on improving the economic environment, support for local SMEs and developing tourism.

**Objectives 3 and 4.** Since 1996, implementation of Objective 3 has made considerable progress, from which some 1,190 projects and 90,000 participants had benefited by the end of 1997. Computer training centres for young people were unexpectedly successful. The Objective 4 programme had a very positive impact on both employment and the internal development of SMEs.

**Objective 5(a).** Compensatory allowances account for the bulk of appropriations for agricultural structures. Up to the time of the evaluation, only 87 farmers had benefited from aid for investment in agricultural holdings, which was approved at the end of 1996. It is based on protection of the environment, animal welfare and the diversification of activity. Aid for the production and marketing of products concerned mainly meat and milk products. Funds were transferred from unused Objective 5(a) measures to benefit other programmes and funds (see margin).

Investment in fisheries concerned mainly fish processing and the modernisation of the fishing fleet.

**Objective 5(b).** After a slow start in 1996, implementation speeded up considerably, with some exceptions. Appropriations transferred from Objective 5(a) were used to provide loans to young businesspeople and to compensate for closure of a sugar factory on the island of Gotland.

**Objective 6.** The evaluation showed that the targets of creating 9,500 jobs and establishing 900 firms stood a good chance of being achieved. However, the number of measures fell from 30 to 25 while the rate of Community part-financing was increased from 50% to 75% for local and rural development and the raising of reindeer by the Sami. A new project, the "Regionalt Utvecklingsstöd" is concerned with promoting SMEs.

**Community Initiatives.** Two Interreg II C programmes were approved; implementation of the other eight Interreg programmes speeded up considerably although the level of payments to beneficiaries is still low. All the appropriations for the SME Initiative were committed; one of its aims is to establish a network of 1,000 SMEs. In addition, all the appropriations for the Leader programme, which had been adopted in 1997, have already been committed. The new projects under Adapt and Employment were selected and a Nordic cooperation project for the exchange of good practice was launched. It was decided to organise an information campaign to improve utilisation of appropriations for Pesca. This Initiative now benefits from national as well as regional finance.

### SMEs: some examples

- the projects concerned with human resources for SMEs in industrial conversion areas include the "virtual forum" in the university of Karlskrona, the new communications system in Luleå university, the provision of economic information in libraries in Värmland and staff training in the region of Angermanlandskusten.

## Sweden

Transfer of ECU 56 million under the Structural Funds from unused Objective 5(a) measures to programmes under Objectives 6 (ECU 43.3 million) and 5(b) (ECU 7.7 million) and to innovative measures under Article 10 of the ERDF Regulation.

### Community Initiatives:

- adoption of two Interreg II C transnational programmes (Baltic Sea and North Sea);
- adoption of the Leader "national network" programme.



**Programmes adopted and grants made in 1997**

**United Kingdom**

**Objective 1:** further ECU 28 million allocated to improving public transport in Northern Ireland.

**Objective 2:** adoption of the 13 programmes for 1997-99.

**Objective 3:** adoption (end 1996) of Single Programming Document (SPDs) 1997-99.

**Objective 4:** adoption (in March 1998) of the first British SPD (1998-99; Community assistance ECU 247.4 million).

**Objective 5(a):** following the authorisation for England to limit application of the measures concerning agricultural products, the EAGGF contribution was reduced from ECU 227 to 51 million.

**Community Initiatives:**  
- three SME programmes (England Objective 2, England Objective 5(b), Merseyside),  
- four Urban programmes (Brighton, Bristol, Coventry, Leeds),  
- one Interreg II C transnational programme (North Sea);  
- extension of Rechar, Resider, Retex and Konver with extra finance from the reserve;  
- transfer of ECU 16 million from Adapt to Employment.

- Considerable efforts are being made to promote cooperation between SMEs and research workers in the rural areas eligible under Objective 5(b) and the thinly populated regions of Objective 6, where another aim is to encourage the Sami to set up companies.
- The SME Initiative provides support for 'an integrated production network via Internet', which was tested by some 30 SMEs to demonstrate the advantages of information technologies and to encourage cooperation among SMEs. Another project seeks to stimulate innovation in 15 SMEs with a high growth potential in Värmland.

**United Kingdom**

The social partners and local elected representatives regularly attended meetings of the programme Monitoring Committees, which had not been the case previously.

**Objective 1.** On Merseyside, support for the economic development of local communities was increased and a new measure devoted to information and communications technologies was launched. In the Highland and Islands, it was decided that in future, measures should be targeted more closely on those genuinely excluded from society. In Northern Ireland, the main focus was on improving public transport. Support for agricultural investment under Objective 1 as a whole remained blocked, mainly due to inadequate national part-financing. As elsewhere in the country, this investment was delayed by the BSE crisis. However, in the case of fisheries implementation speeded up.

**Objective 2.** Greater attention should be paid to job-creation, through aid to SMEs and more targeted support for investment in general. Most programmes made it a specific priority to encourage community economic development projects, especially those of urban communities, in the most disadvantaged areas of Objective 2.

**Objectives 3 and 4.** Since 1997, a new structure for implementing Objective 3

programmes has enabled each region to draw up its own strategy and priorities, and manage allocation of funds. The first Objective 4 programme for the United Kingdom was submitted by the UK authorities at the end of the year.

**Objective 5(a).** Of the ECU 138 million allocated to improving agricultural structures, about 95% went on compensatory allowances paid in respect of some 58,000 holdings. The remaining 5% financed investment projects. Over 33% of investment in fisheries was approved; funding was mainly allocated to the decommissioning and modernisation of fleets, processing and marketing, port facilities, etc. With 108 vessels set to be decommissioned, the United Kingdom should come close to the targets set for the period up to 1997.

**Objective 5(b).** The provisional results of the interim evaluation confirmed that the planned strategies and financing were on target. Wherever possible, the development of SMEs was linked to agriculture.

**Community Initiatives.** Programming of the Community Initiatives was completed at the end of 1997 (see margin). The new projects under Adapt and Employment were selected, although a large part of the grants under Adapt remain unused and the authorities have proposed issuing a fresh call for projects under the national programme "University for industry" in 1998. In Northern Ireland, the Urban programme includes measures to encourage co-operation between communities, as well as traditional measures to restore the disadvantaged areas of Belfast and Londonderry. Implementation of Leader was threatened by a disagreement over the national source of part-financing, and hence by the lack of a national network part-financed by the EU. The fisheries sector was initially hesitant about Pesca, but then showed considerable interest in many measures.

**SMEs: some examples**

- On Merseyside, the "Business University" measure concerns 5,000 SMEs, of which 75% have considerable growth potential: this will provide a boost for the



development of this disadvantaged region. The aim is to place graduates of the University of Liverpool in small local firms by offering them intensive training in commercial techniques and the possibility of a permanent job after six months' work. The 1,200 projects already financed have resulted in jobs for 2,000 graduates, of which 550 were new jobs.

- To promote the industrial conversion of North East England, the "New Enterprise Strategy" project offers advice to those using a network of local partners to establish companies, and provides them

with access to a venture-capital fund on the condition that they undertake to create a job. Of the 1,800 SMEs already set up (with a high survival rate), 560 were founded by women. Of the 3,200 employees recruited, 200 were long-term unemployed and 600 were young people aged under 25.

- Assistance in rural areas is adapted to a large number of small and very small SMEs, as it is in South West England, where it comprises targeted training and commercial advice or finance for economic infrastructure.



## The report

The 1997 report on the Structural Funds was adopted by the European Commission on 14 October 1998 and forwarded to the European Parliament.

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